

Spring . . .

A Season of Uncertainty

Spring is a time of transition—leaves bud, the grass hints at green, and farmers are preparing for spring planting of crops that grow over the summer (such as corn, soybeans, and rice). It is also a time of uncertainty, as farmers and others try to get a sense of how the new season will unfold. Key data presented in USDA's annual *Prospective Plantings* report (released March 31) and other publications are helpful assessment tools. Still, questions remain. What will farmers plant, and how will markets respond?

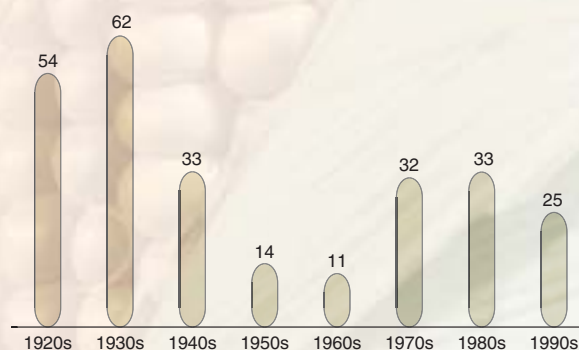
At first glance, uncertainty this year appears particularly keen. Fluctuating energy prices in late winter and early spring have implications for farm production costs, including diesel fuel, irrigation pumping, and fertilizer. Prolonged dryness in the western U.S. and parts of the Great Plains complicates planting in those regions. Heightened competition from foreign countries in several markets—Brazil for soybeans, Russia and Ukraine for wheat, and China for several commodities—raises questions of how the global marketplace will shape up in 2003.

While weather and international factors are obvious sources of uncertainty, government policies affecting agriculture—including trade, commodity, and environmental policies—can be sources of uncertainty, too. Indeed, a USDA survey in the late 1990s indicated that policy and regulatory changes were perceived by farmers to rank highest among the risks they faced.

But are times more uncertain now than in the past? Uncertainty in agricultural markets can be measured in many different ways, but variability in commodity prices is one "bottom-line" way to assess the situation. Using prices for corn, a major crop planted in the spring, the answer appears to be "no." Variability in corn prices was quite high during the 1920s and 1930s, largely due to the collapse in grain prices in the post-World War I period and low yields in several years. Variability was low during the 1950s and 1960s, a period characterized by high government support, fairly stable yields, and consistent demand. From 1990 to the present, corn price variability appears to be near its long-term average.

Corn Price Variability, by Decade

Percent variation from the mean price



Over time, of course, the prices an individual producer receives may be more or less variable than those at the aggregate level. Whatever comes, spring is a time for renewal...and, for farmers...a time to gather information and analyze it to best position themselves to weather the ups and downs of the market.

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